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GEORGE COUNTY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2013

GEORGE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
George County School District
Lucedale, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the George County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the George County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-14 and 38-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the George County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the George County School District's internal control over financial reporting

and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering George County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cunningham CPAs". The signature is written in dark ink on a light-colored background.

Cunningham CPAs, PLLC
Belzoni, Mississippi

December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of George County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$379,078, including a prior period adjustment of \$81,052, which represents a 1% increase from fiscal year 2012. Total net position for 2012 increased \$1,292,796, including a prior period adjustment of \$26,012, which represents a 5% increase from fiscal year 2011.
- General revenues amounted to \$24,489,562 and \$24,160,024, or 81% and 80% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,812,340, or 19% of total revenues for 2013, and \$6,220,232, or 20% of total revenues for 2012.
- The District had \$30,003,876 and \$29,113,472 in expenses for fiscal years 2013 and 2012; only \$5,812,340 for 2013 and \$6,220,232 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$24,489,562 for 2013 were adequate to provide for these programs and \$24,160,024 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$23,591,397 in revenues and \$23,854,974 in expenditures for 2013, and \$23,235,652 in revenues and \$22,621,862 in expenditures in 2012. The General Fund's fund balance decreased by \$544,479 from 2012 to 2013, and increased by \$165,030 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$200,957, including a prior period adjustment of \$81,052, for 2013 and decreased by \$390,042 for 2012. The decrease for 2013 was primarily due to current additions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$388,067 for 2013 and decreased by \$1,110,973 for 2012. This decrease for 2013 was due primarily to issuing 3 mills notes in the amount of \$500,000 net of the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$1,067 for 2013 and increased by \$8,282 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$26,869,156 as of June 30, 2013.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

GEORGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 12,700,977	\$ 12,764,614	-0.50 %
Restricted assets	1,004,409	872,799	15.08 %
Capital assets, net	19,520,499	19,721,456	-1.02 %
Total assets	33,225,885	33,358,869	-0.40 %
Current liabilities	585,019	709,014	-17.49 %
Long-term debt outstanding	5,771,710	6,159,777	-6.30 %
Total liabilities	6,356,729	6,868,791	-7.45 %
Net position:			
Net investment in capital assets	14,464,499	13,778,456	4.98 %
Restricted	7,437,092	4,081,243	82.23 %
Unrestricted	4,967,565	8,630,379	-42.44 %
Total net position	\$ 26,869,156	\$ 26,490,078	1.43 %

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Decrease in net capital assets in the amount of \$200,957.
- The principal retirement of \$887,000 of long-term debt.
- Issuing \$500,000 in three mill notes payable.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$30,301,902 and \$30,380,256, respectively. The total cost of all programs and services was \$30,003,876 for 2013 and \$29,113,472 for 2012.

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 891,805	\$ 1,009,854	(11.69) %
Operating grants and contributions	4,920,535	5,210,378	(5.56) %
General revenues:			
Property taxes	5,050,265	4,463,633	13.14 %
Grants and contributions not restricted	19,023,819	19,227,595	(1.06) %
Investment earnings	85,579	116,809	(26.74) %
Sixteenth section sources	212,576	277,120	(23.29) %
Other	117,323	74,867	56.71 %
Total revenues	<u>30,301,902</u>	<u>30,380,256</u>	(0.26) %
Expenses:			
Instruction	18,385,524	17,822,009	3.16 %
Support services	9,410,594	9,108,364	3.32 %
Non-instructional	2,070,480	2,000,233	3.51 %
Sixteenth section	6,814	25,892	(73.68) %
Interest on long-term liabilities and other debt service costs	130,464	156,974	(16.89) %
Total expenses	<u>30,003,876</u>	<u>29,113,472</u>	3.06 %
Increase (Decrease) in net position	<u>298,026</u>	<u>1,266,784</u>	(76.47) %
Net Position, July 1, as previously reported	<u>26,490,078</u>	<u>25,197,282</u>	5.13 %
Prior Period Adjustment	<u>81,052</u>	<u>26,012</u>	211.59 %
Net Position, July 1, as restated	<u>26,571,130</u>	<u>25,223,294</u>	5.34 %
Net Position, June 30	<u>\$ 26,869,156</u>	<u>\$ 26,490,078</u>	1.43 %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 18,385,524	\$ 17,822,009	3.16 %
Support services	9,410,594	9,108,364	3.32 %
Non-instructional	2,070,480	2,000,233	3.51 %
Sixteenth section	6,814	25,892	(73.68) %
Interest on long-term liabilities and other debt service costs	130,464	156,974	(16.89) %
Total expenses	\$ 30,003,876	\$ 29,113,472	3.06 %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (15,999,935)	\$ (15,365,947)	4.13 %
Support services	(8,296,142)	(7,699,378)	7.75 %
Non-instructional	241,819	315,965	(23.47) %
Sixteenth section	(6,814)	13,094	(152.04) %
Interest on long-term liabilities and other debt service costs	(130,464)	(156,974)	(16.89) %
Total net (expense) revenue	\$ (24,191,536)	\$ (22,893,240)	5.67 %

- Net cost of governmental activities (\$24,191,536 for 2013 and \$22,893,240 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$5,050,265 for 2013 and \$4,463,633 for 2012) and state and federal revenues (\$19,023,819 for 2013 and \$19,227,595 for 2012). In addition, there was \$212,576 and \$277,120 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$85,579 for 2013 and \$116,809 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$13,173,828, an increase of \$191,845, which includes a decrease in inventory of \$41,241. \$3,556,643 or 27% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$9,617,185 or 73% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$544,479. The fund balance of Other Governmental Funds showed an increase in the amount of \$480,520, including a decrease in reserve for inventory of \$41,241, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	No increase or decrease
IDEA Part B Fund	No increase or decrease
Unemployment Compensation Fund	\$ 51,172
Sixteenth Section Interest Fund	\$ 204,632

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$35,681,547, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$510,322 from 2012. Total accumulated depreciation as of June 30, 2013, was \$16,161,048, and total depreciation expense for the year was \$883,328, resulting in total net capital assets of \$19,520,499.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 282,157	\$ 282,157	0.00 %
Construction in Progress	49,654	-	N/A %
Buildings	15,229,772	15,628,121	(2.55) %
Building improvements	1,874,812	1,979,283	(5.28) %
Improvements other than buildings	489,761	538,890	(9.12) %
Mobile equipment	1,313,477	1,003,743	30.86 %
Furniture and equipment	280,866	289,262	(2.90) %
Total	\$ 19,520,499	\$ 19,721,456	(1.02) %

Additional information on the District's capital assets can be found in Note 5 included in this report.

GEORGE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$5,771,710 in outstanding long-term debt, of which \$694,786 is due within one year. The liability for compensated absences decreased \$1,067 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ -	\$ 435,000	(100.00) %
Limited obligation bonds payable	3,056,000	3,508,000	(12.88) %
Three mill notes payable	500,000	-	N/A %
Qualified school construction bonds payable	2,000,000	2,000,000	0.00 %
Compensated absences payable	215,710	216,777	(0.49) %
Total	<u>\$ 5,771,710</u>	<u>\$ 6,159,777</u>	(6.30) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The George County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the George County School District, 5152 Main Street, Lucedale, MS 39452.

FINANCIAL STATEMENTS

GEORGE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,214,611
Due from other governments	1,431,609
Other receivables, net	27,456
Inventories	27,301
Restricted assets	1,004,409
Capital assets, non-depreciable:	
Land	282,157
Construction in progress	49,654
Capital assets, net of accumulated depreciation:	
Buildings	15,229,772
Building improvements	1,874,812
Improvements other than buildings	489,761
Mobile equipment	1,313,477
Furniture and equipment	280,866
Total Assets	<u>33,225,885</u>
Liabilities	
Accounts payable and accrued liabilities	530,235
Unearned revenue	1,323
Interest payable on long-term liabilities	53,461
Long-term liabilities, due within one year:	
Capital related liabilities	468,000
Non-capital related liabilities	226,786
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,588,000
Non-capital related liabilities	488,924
Total Liabilities	<u>6,356,729</u>
Net Position	
Net investment in capital assets	14,464,499
Restricted for:	
Expendable:	
School-based activities	4,380,896
Debt service	1,150,605
Capital improvements	62,983
Forestry improvements	73,236
Unemployment benefits	1,659,307
Non-expendable:	
Sixteenth section	110,065
Unrestricted	4,967,565
Total Net Position	<u>\$ 26,869,156</u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 18,385,524	\$ 377,320	\$ 2,008,269	\$ -	\$ (15,999,935)	
Support services	9,410,594	-	1,114,452	-	(8,296,142)	
Non-instructional	2,070,480	514,485	1,797,814	-	241,819	
Sixteenth section	6,814	-	-	-	(6,814)	
Interest on long-term liabilities and other debt service costs	130,464	-	-	-	(130,464)	
Total Governmental Activities	\$ 30,003,876	\$ 891,805	\$ 4,920,535	\$ -	\$ (24,191,536)	

General Revenues:

Taxes:

General purpose levies

4,325,134

Debt purpose levies

725,131

Unrestricted grants and contributions:

State

18,783,543

Federal

240,276

Unrestricted investment earnings

85,579

Sixteenth section sources

212,576

Other

117,323

Total General Revenues

24,489,562

Change in Net Position

298,026

Net Position - Beginning, as previously reported

26,490,078

Prior Period Adjustments

81,052

Net Position - Beginning, as restated

26,571,130

Net Position - Ending

\$ 26,869,156

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit C

Balance Sheet
June 30, 2013

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Unemployment Compensation Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Governmental Funds	
Assets								
Cash and cash equivalents	\$ 6,009,575	\$ -	\$ -	\$ 1,659,556	\$ 2,162,170	\$ 1,995,911	\$ 11,827,212	
Cash with fiscal agents	-	-	-	-	-	238,808	238,808	
Investments	-	-	-	-	-	153,000	153,000	
Due from other governments	644,459	136,500	117,651	-	-	515,310	1,413,920	
Other receivables, net	-	-	-	-	27,456	-	27,456	
Due from other funds	406,670	-	-	-	-	-	406,670	
Inventories	-	-	-	-	-	27,301	27,301	
Total assets	\$ 7,060,704	\$ 136,500	\$ 117,651	\$ 1,659,556	\$ 2,189,626	\$ 2,930,330	\$ 14,094,367	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 282,162	\$ 14,234	\$ 7,305	\$ 249	\$ 11	\$ 226,274	\$ 530,235	
Unearned revenue	-	-	-	-	-	1,323	1,323	
Due to other funds	-	122,266	110,346	-	-	156,369	388,981	
Total Liabilities	282,162	136,500	117,651	249	11	383,966	920,539	
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	27,301	27,301	
Permanent fund principal	-	-	-	-	-	110,065	110,065	
Restricted:								
Debt service	-	-	-	-	-	1,204,066	1,204,066	
Capital projects	-	-	-	-	62,983	-	62,983	
Forestry improvement purposes	-	-	-	-	-	73,236	73,236	
Grant activities	-	-	-	-	-	1,131,696	1,131,696	
Unemployment benefits	-	-	-	1,659,307	-	-	1,659,307	
Assigned:								
School based activities	3,221,899	-	-	-	-	-	3,221,899	
Sixteenth section activities	-	-	-	-	2,126,632	-	2,126,632	
Unassigned	3,556,643	-	-	-	-	-	3,556,643	
Total Fund Balances	6,778,542	-	-	1,659,307	2,189,615	2,546,364	13,173,828	
Total Liabilities and Fund Balances	\$ 7,060,704	\$ 136,500	\$ 117,651	\$ 1,659,556	\$ 2,189,626	\$ 2,930,330	\$ 14,094,367	

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013**

Exhibit C-1

Total fund balances for governmental funds \$ 13,173,828

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 282,157	
Construction in progress	49,654	
Buildings	25,886,602	
Building improvements	2,611,777	
Improvements other than buildings	1,198,905	
Mobile equipment	3,765,259	
Furniture and equipment	1,887,193	
Accumulated depreciation	<u>(16,161,048)</u>	19,520,499

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Limited obligation bonds	(3,056,000)	
Three mill notes payable	(500,000)	
Qualified school construction bonds	(2,000,000)	
Compensated absences payable	(215,710)	
Accrued interest payable	<u>(53,461)</u>	(5,825,171)

Net position of governmental activities \$ 26,869,156

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	General Fund	Title I Fund	Major Funds			Unemployment Compensation Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
			IDEA Part B Fund						
Revenues:									
Local sources	\$ 4,784,429	\$ -	\$ -	\$ -	60,624	22	\$ 1,271,151	\$ 6,116,226	
State sources	18,566,650	-	-	-	-	-	1,169,985	19,736,635	
Federal sources	240,318	817,689	722,872	-	-	-	2,426,844	4,207,723	
Sixteenth section sources	-	-	-	-	-	58,514	168,358	226,872	
Total Revenues	23,591,397	817,689	722,872	-	60,624	58,536	5,036,338	30,287,456	
Expenditures:									
Instruction	15,329,263	241,578	555,898	-	-	-	1,695,415	17,822,154	
Support services	8,493,418	572,359	166,974	9,452	-	-	381,542	9,623,745	
Noninstructional services	32,293	3,752	-	-	-	-	2,017,802	2,053,847	
Sixteenth section	-	-	-	-	-	564	6,250	6,814	
Facilities acquisition and construction	-	-	-	-	-	-	49,654	49,654	
Debt service:									
Principal	-	-	-	-	-	-	887,000	887,000	
Interest	-	-	-	-	-	-	129,087	129,087	
Other	-	-	-	-	-	-	1,500	1,500	
Total Expenditures	23,854,974	817,689	722,872	9,452	-	564	5,168,250	30,573,801	
Excess (Deficiency) of Revenues over (under) Expenditures	(263,577)	-	-	51,172	-	57,972	(131,912)	(286,345)	
Other Financing Sources (Uses):									
Bonds and notes issued	500,000	-	-	-	-	-	-	500,000	
Insurance recovery	14,446	-	-	-	-	-	-	14,446	
Sale of transportation equipment	4,985	-	-	-	-	-	-	4,985	
Operating transfers in	36,823	-	-	-	-	146,660	924,059	1,107,542	
Operating transfers out	(837,156)	-	-	-	-	-	(270,386)	(1,107,542)	
Total Other Financing Sources (Uses)	(280,902)	-	-	-	-	146,660	653,673	519,431	
Net Change in Fund Balances	(544,479)	-	-	51,172	-	204,632	521,761	233,086	
Fund Balances:									
July 1, 2012	7,323,021	-	-	1,608,135	-	1,984,983	2,065,844	12,981,983	
Decrease in reserve for inventory	-	-	-	-	-	-	(41,241)	(41,241)	
June 30, 2013	\$ 6,778,542	\$ -	\$ -	\$ 1,659,307	\$ -	\$ 2,189,615	\$ 2,546,364	\$ 13,173,828	

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 233,086

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 625,026	
Depreciation expense	<u>(883,328)</u>	(258,302)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (23,707)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	887,000	
Bonds and notes issued	(500,000)	
Accrued interest payable	<u>123</u>	387,123

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	1,067	
Change in inventory reserve	<u>(41,241)</u>	(40,174)

Change in net position of governmental activities \$ 298,026

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 1,682,601
Total Assets	<u>\$ 1,682,601</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,577,214
Due to other funds	17,689
Due to student clubs	87,698
Total Liabilities	<u>\$ 1,682,601</u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, George County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

IDEA Part B Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Special Education grants to states program to assist the District in providing a free appropriate public education to all children with disabilities.

Unemployment Compensation Fund – This is a special revenue fund used to account for the unemployment compensation for the District.

Sixteenth Section Interest Fund – This fund is a special revenue fund used to account for the expendable revenues associated with earnings on sixteenth section lands and the expenditures incurred for maintaining and improving sixteenth section lands.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Fund Agency Funds – These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,827,212 and \$1,682,601, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$238,808.

Investments

As of June 30, 2013, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AA	1 to 5	\$ 153,000
Total			\$ 153,000

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

external investment pools, and other pooled investments. As of June 30, 2013, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Government Securities	\$ 153,000	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	Title I fund	\$ 122,266
	IDEA Part B fund	110,346
	Other governmental funds	156,369
	Fiduciary funds	17,689
Total		<u>\$ 406,670</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds. Payments are made of amounts due between funds within three months.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 837,156
Other governmental funds	General fund	36,823
	Sixteenth section interest fund	146,660
	Other governmental funds	86,903
Total		<u>\$ 1,107,542</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$110,065 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$237,751, of the MAEP Limited Obligation Bond debt service fund.

In addition, the restricted assets represent the cash with fiscal agents and investments balance, totaling \$1,057 and \$153,000, respectively, of the QSCB sinking fund.

Also, the restricted assets represent the cash balance, totaling \$502,536, of the other debt service funds.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental:

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 282,157	\$ -	\$ -	\$ -	282,157
Construction-in-progress	-	49,654	-	-	49,654
Total non-depreciable capital assets	282,157	49,654	-	-	331,811
<u>Depreciable capital assets:</u>					
Buildings	25,886,602	-	-	-	25,886,602
Building improvements	2,611,777	-	-	-	2,611,777
Improvements other than buildings	1,198,905	-	-	-	1,198,905
Mobile equipment	3,353,347	478,406	(159,804)	93,310	3,765,259
Furniture and equipment	1,838,437	96,966	(81,342)	33,132	1,887,193
Total depreciable capital assets	34,889,068	575,372	(241,146)	126,442	35,349,736
<u>Less accumulated depreciation for:</u>					
Buildings	10,258,481	398,349	-	-	10,656,830
Building improvements	632,494	104,471	-	-	736,965
Improvements other than buildings	660,015	49,129	-	-	709,144
Mobile equipment	2,349,604	213,579	(143,824)	32,423	2,451,782
Furniture and equipment	1,549,175	117,800	(73,615)	12,967	1,606,327
Total accumulated depreciation	15,449,769	883,328	(217,439)	45,390	16,161,048
Total depreciable capital assets, net	19,439,299	(307,956)	(23,707)	81,052	19,188,688
Governmental activities capital assets, net	\$ 19,721,456	\$ (258,302)	\$ (23,707)	\$ 81,052	\$ 19,520,499

Adjustments were made in order to balance to the capital asset subsidiary ledger due to errors in prior years.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 597,537
Support services	260,807
Non-instructional	24,984
Total depreciation expense - Governmental activities	\$ 883,328

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
School renovations and upgrades	\$ 49,654	\$ -
Total construction in progress	<u>\$ 49,654</u>	<u>\$ -</u>

Construction projects included in governmental activities are funded from capital renovations construction fund. The amount spent to June 30, 2013 represents architect fees for initial design work for the renovation and upgrades project that has not yet been bid out. As such, there is no remaining commitment reported at June 30, 2013.

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 435,000	\$ -	\$ (435,000)	\$ -	-
B. Limited obligation bonds payable	3,508,000	-	(452,000)	3,056,000	468,000
C. Three mill notes payable	-	500,000	-	500,000	216,000
D. Qualified school construction bonds payable	2,000,000	-	-	2,000,000	-
E. Compensated absences payable	216,777	-	(1,067)	215,710	10,786
Total	<u>\$ 6,159,777</u>	<u>\$ 500,000</u>	<u>\$ (888,067)</u>	<u>\$ 5,771,710</u>	<u>\$ 694,786</u>

A. General obligation bonds payable

This debt was retired during the year.

B. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited obligation bonds					
Series 2008	3.35%	7/29/2008	2/1/2018	\$ 4,473,000	\$ 3,056,000
Total				<u>\$ 4,473,000</u>	<u>\$ 3,056,000</u>

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2014	\$ 468,000	\$ 94,537	\$ 562,537
2015	483,000	78,608	561,608
2016	499,000	62,159	561,159
2017	516,000	45,159	561,159
2018	1,090,000	27,586	1,117,586
Total	<u>\$ 3,056,000</u>	<u>\$ 308,049</u>	<u>\$ 3,364,049</u>

This debt will be retired from the MAEP Retirement Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note	1.29%	8/20/2012	8/20/2015	\$ 500,000	\$ 500,000
Total				<u>\$ 500,000</u>	<u>\$ 500,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2014	\$ 216,000	\$ 6,450	\$ 222,450
2015	219,000	3,664	222,664
2016	65,000	839	65,839
Total	<u>\$ 500,000</u>	<u>\$ 10,953</u>	<u>\$ 510,953</u>

This debt will be retired from the 3 mill notes payable debt service fund.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

D. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable	0.00%	11/5/2009	9/15/2024	\$ 2,000,000	\$ 2,000,000
Total				<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

E. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,448,461, \$2,112,231 and \$1,976,370, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2014	\$	46,957
2015		38,956
2016		37,056
2017		32,485
2018		22,021
2019-2023		94,715
2024-2028		71,633
2029-3033		71,633
2034-2038		68,209
Thereafter		89,872
Total	\$	<u>573,537</u>

Note 10 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$154,057. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 153,000
2015	154,000
2016	154,000
2017	154,000
2018	154,000
2019 – 2023	770,000
2024 – 2025	308,000
Total	<u>\$ 1,847,000</u>

Note 13 - Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. To adjust capital assets to subsidiary ledger	<u>\$ 81,052</u>

Note 14 - Insurance loss recoveries

The George County School District received \$14,446 in insurance loss recoveries related to storm damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other income.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the George County School District evaluated the activity of the district through December 13, 2013, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,029,986	\$ 4,784,407	\$ 4,784,429	\$ (245,579)	\$ 22
State sources	18,725,322	18,575,769	18,566,650	(149,553)	(9,119)
Federal sources	107,500	231,196	240,318	123,696	9,122
Total Revenues	23,862,808	23,591,372	23,591,397	(271,436)	25
Expenditures:					
Instruction	15,648,180	15,329,408	15,329,263	318,772	145
Support services	8,267,551	8,113,215	8,493,418	154,336	(380,203)
Noninstructional	34,100	32,297	32,293	1,803	4
Total Expenditures	23,949,831	23,474,920	23,854,974	474,911	(380,054)
Excess (Deficiency) of Revenues over (under) Expenditures	(87,023)	116,452	(263,577)	203,475	(380,029)
Other Financing Sources (Uses):					
Bonds and notes issued	450,000	500,000	500,000	50,000	-
Insurance recovery	-	(50,073)	14,446	(50,073)	64,519
Sale of transportation equipment	-	4,984	4,985	4,984	1
Operating transfers in	3,263,799	3,028,329	36,823	(235,470)	(2,991,506)
Operating transfers out	(4,713,627)	(3,828,669)	(837,156)	884,958	2,991,513
Total Other Financing Sources (Uses)	(999,828)	(345,429)	(280,902)	654,399	64,527
Net Change in Fund Balances	(1,086,851)	(228,977)	(544,479)	857,874	(315,502)
Fund Balances:					
July 1, 2012	7,323,021	7,323,021	7,323,021	-	-
June 30, 2013	\$ 6,236,170	\$ 7,094,044	\$ 6,778,542	\$ 857,874	\$ (315,502)

The notes to the required supplementary information are an integral part of this schedule.

GEORGE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 829,504	\$ 817,689	\$ 817,689	\$ (11,815)	\$ -
Total Revenues	829,504	817,689	817,689	(11,815)	-
Expenditures:					
Instruction	209,111	241,603	241,578	(32,492)	25
Support services	634,499	572,411	572,359	62,088	52
Noninstructional	8,295	3,753	3,752	4,542	1
Total Expenditures	851,905	817,767	817,689	34,138	78
Excess (Deficiency) of Revenues over (under) Expenditures	(22,401)	(78)	-	22,323	78
Other Financing Sources (Uses):					
Operating transfers in	37,888	-	-	(37,888)	-
Operating transfers out	(14,987)	-	-	14,987	-
Total Other Financing Sources (Uses)	22,901	-	-	(22,901)	-
Net Change in Fund Balances	500	(78)	-	(578)	78
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ 500	\$ (78)	\$ -	\$ (578)	\$ 78

The notes to the required supplementary information are an integral part of this schedule.

GEORGE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 866,685	\$ 722,872	\$ 722,872	\$ (143,813)	\$ -
Total Revenues	866,685	722,872	722,872	(143,813)	-
Expenditures:					
Instruction	649,285	555,931	555,898	93,354	33
Support services	244,469	166,994	166,974	77,475	20
Total Expenditures	893,754	722,925	722,872	170,829	53
Excess (Deficiency) of Revenues over (under) Expenditures	(27,069)	(53)	-	27,016	53
Other Financing Sources (Uses):					
Operating transfers in	37,519	-	-	(37,519)	-
Operating transfers out	(10,450)	-	-	10,450	-
Total Other Financing Sources (Uses)	27,069	-	-	(27,069)	-
Net Change in Fund Balances	-	(53)	-	(53)	53
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ (53)	\$ -	\$ (53)	\$ 53

The notes to the required supplementary information are an integral part of this schedule.

GEORGE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Unemployment Compensation Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Local sources	\$ 85,000	\$ 60,624	\$ 60,624	\$ (24,376)	\$ -
Total Revenues	85,000	60,624	60,624	(24,376)	-
Expenditures:					
Support services	-	9,451	9,452	(9,451)	(1)
Total Expenditures	-	9,451	9,452	(9,451)	(1)
Excess (Deficiency) of Revenues over (under) Expenditures	85,000	51,173	51,172	(33,827)	(1)
Net Change in Fund Balances	85,000	51,173	51,172	(33,827)	(1)
Fund Balances:					
July 1, 2012	1,608,135	1,608,135	1,608,135	-	-
June 30, 2013	\$ 1,693,135	\$ 1,659,308	\$ 1,659,307	\$ (33,827)	\$ (1)

The notes to the required supplementary information are an integral part of this schedule.

GEORGE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 22	\$ 22	\$ 22	\$ -
Sixteenth section sources	43,000	58,511	58,514	15,511	3
Total Revenues	43,000	58,533	58,536	15,533	3
Expenditures:					
Sixteenth section	-	565	564	(565)	1
Total Expenditures	-	565	564	(565)	1
Excess (Deficiency) of Revenues over (under) Expenditures	43,000	57,968	57,972	14,968	4
Other Financing Sources (Uses):					
Operating transfers in	14,000	146,659	146,660	132,659	1
Operating transfers out	(57,000)	-	-	57,000	-
Total Other Financing Sources (Uses)	(43,000)	146,659	146,660	189,659	1
Net Change in Fund Balances	-	204,627	204,632	204,627	5
Fund Balances:					
July 1, 2012	1,984,983	1,984,983	1,984,983	-	-
June 30, 2013	\$ 1,984,983	\$ 2,189,610	\$ 2,189,615	\$ 204,627	\$ 5

The notes to the required supplementary information are an integral part of this schedule.

GEORGE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

(3) Budget Variances

The budget variances noted for the General Fund are a result of auditor adjustment and are not a violation of state laws and regulations.

SUPPLEMENTARY INFORMATION

GEORGE COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 495,256
National school lunch program	10.555	1,360,477
Summer food service program for children	10.559	8,742
Total child nutrition cluster		<u>1,864,475</u>
Total passed-through Mississippi Department of Education		<u>1,864,475</u>
Passed-through George County:		
Schools and roads-grants to states	10.665	28,490
Total		<u>28,490</u>
Total U.S. Department of Agriculture		<u>1,892,965</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	58,489
Total U.S. Department of Defense		<u>58,489</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	91,414
Total Federal Communications Commission		<u>91,414</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	817,689
Career and technical education - basic grants to states	84.048	44,166
Education for homeless children and youth	84.196	15,760
Rural education	84.358	65,442
Improving teacher quality-State Grants	84.367	229,773
Teacher incentive fund	84.374	144,662
Subtotal		<u>1,317,492</u>
Special education cluster:		
Special education - grants to states	84.027	731,992
Special education - preschool grants	84.173	26,444
Total special education cluster		<u>758,436</u>
Total passed-through Mississippi Department of Education		<u>2,075,928</u>
Total U.S. Department of Education		<u>2,075,928</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	52,805
Total passed-through Mississippi Department of Education		<u>52,805</u>
Total U.S. Department of Health and Human Services		<u>52,805</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	10,148
Total passed-through Mississippi Emergency Management Agency		<u>10,148</u>
Total U.S. Department of Homeland Security		<u>10,148</u>
Total for All Federal Awards		<u>\$ 4,181,749</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

GEORGE COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 23,751,398	18,895,554	690,877	1,556,932	2,608,035
Other	6,822,403	1,662,535	150,145	8,782	5,000,941
Total	\$ 30,573,801	20,558,089	841,022	1,565,714	7,608,976
Total number of students *	4,043				
Cost per student	\$ 7,562	5,085	208	387	1,882

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

GEORGE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,784,429	\$ 4,212,511	\$ 4,194,007	\$ 3,891,698
Intermediate sources	-	-	27,302	-
State sources	18,566,650	18,633,353	17,634,417	17,957,552
Federal sources	240,318	389,788	199,719	177,704
Total Revenues	23,591,397	23,235,652	22,055,445	22,026,954
Expenditures:				
Instruction	15,329,263	14,833,631	12,423,972	13,639,845
Support services	8,493,418	7,554,781	6,705,194	6,983,896
Noninstructional services	32,293	43,053	37,200	47,426
Facilities acquisition and construction	-	190,397	-	-
Debt service:				
Principal	-	-	-	66,243
Interest	-	-	-	2,474
Total Expenditures	23,854,974	22,621,862	19,166,366	20,739,884
Excess (Deficiency) of Revenues over (under) Expenditures	(263,577)	613,790	2,889,079	1,287,070
Other Financing Sources (Uses):				
Bonds and notes issued	500,000	225,000	-	-
Insurance recovery	14,446	43,088	5,254	-
Sale of transportation equipment	4,985	-	-	-
Operating transfers in	36,823	37,863	49,571	369,667
Operating transfers out	(837,156)	(754,711)	(742,766)	(822,099)
Total Other Financing Sources (Uses)	(280,902)	(448,760)	(687,941)	(452,432)
Net Change in Fund Balances	(544,479)	165,030	2,201,138	834,638
Fund Balances:				
Beginning of period, as previously reported	7,323,021	7,157,991	4,956,853	4,135,532
Prior period adjustments	-	-	-	(13,317)
Beginning of period, as restated	7,323,021	7,157,991	4,956,853	4,122,215
End of Period	\$ 6,778,542	\$ 7,323,021	\$ 7,157,991	\$ 4,956,853

*SOURCE - PRIOR YEAR AUDIT REPORTS

GEORGE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 6,116,226	\$ 5,565,109	\$ 5,478,627	\$ 5,215,558
Intermediate sources	-	-	27,302	-
State sources	19,736,635	19,748,453	18,717,728	19,067,666
Federal sources	4,207,723	4,689,518	7,191,063	6,240,430
Sixteenth section sources	226,872	334,088	74,725	298,459
Total Revenues	30,287,456	30,337,168	31,489,445	30,822,113
Expenditures:				
Instruction	17,822,154	17,281,114	17,145,995	17,863,219
Support services	9,623,745	9,026,158	8,577,606	8,516,694
Noninstructional services	2,053,847	2,020,169	1,930,070	1,965,533
Sixteenth section	6,814	25,892	28,694	111
Facilities acquisition and construction	49,654	190,397	649,498	1,193,795
Debt service:				
Principal	887,000	1,344,255	1,075,809	796,951
Interest	129,087	173,243	213,143	250,101
Other	1,500	1,535	2,500	24,400
Total Expenditures	30,573,801	30,062,763	29,623,315	30,610,804
Excess (Deficiency) of Revenues over (under) Expenditures	(286,345)	274,405	1,866,130	211,309
Other Financing Sources (Uses):				
Bonds and notes issued	500,000	225,000	-	2,000,000
Insurance recovery	14,446	43,088	5,254	-
Sale of transportation equipment	4,985	-	-	-
Operating transfers in	1,107,542	1,181,224	920,572	1,516,739
Operating transfers out	(1,107,542)	(1,181,224)	(920,572)	(1,516,739)
Total Other Financing Sources (Uses)	519,431	268,088	5,254	2,000,000
Net Change in Fund Balances	233,086	542,493	1,871,384	2,211,309
Fund Balances:				
Beginning of period, as previously reported	12,981,983	12,427,922	10,587,259	8,407,831
Prior period adjustments	-	-	(9,117)	(56,471)
Beginning of period, as restated	12,981,983	12,427,922	10,578,142	8,351,360
Increase (Decrease) in reserve for inventory	(41,241)	11,568	(21,604)	24,590
End of Period	\$ 13,173,828	\$ 12,981,983	\$ 12,427,922	\$ 10,587,259

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
George County School District
Lucedale, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the George County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the George County School District's basic financial statements, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered George County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of George County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of George County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether George County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cunningham CPAs, PLLC

Belzoni, Mississippi

December 13, 2013

CUNNINGHAM CPAs, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Superintendent and School Board
George County School District
Lucedale, Mississippi

Report on Compliance for Each Major Federal Program

We have audited George County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of George County School District's major federal programs for the year ended June 30, 2013. George County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of George County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about George County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of George County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, George County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of George County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered George County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the

purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of George County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Cunningham CPAs, PLLC

Belzoni, Mississippi
December 13, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
George County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2013, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated December 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$100,166 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Cunningham CPAs". The signature is written in dark ink on a light-colored background.

Cunningham CPAs, PLLC

Belzoni, Mississippi

December 13, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GEORGE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | B. Improving Teacher Quality | |
| | CFDA # | 84.367 |
| | C. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

GEORGE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.